

PSRS

Active Members | MAY 2022

for your Benefit

PUBLIC SCHOOL RETIREMENT SYSTEM OF MISSOURI

Investing in an Inflationary Environment

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Steliga Retains Seat on PSRS/PEERS Board of Trustees; Gassmann Joins as Newest Trustee



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SYSTEM OF MISSOURI

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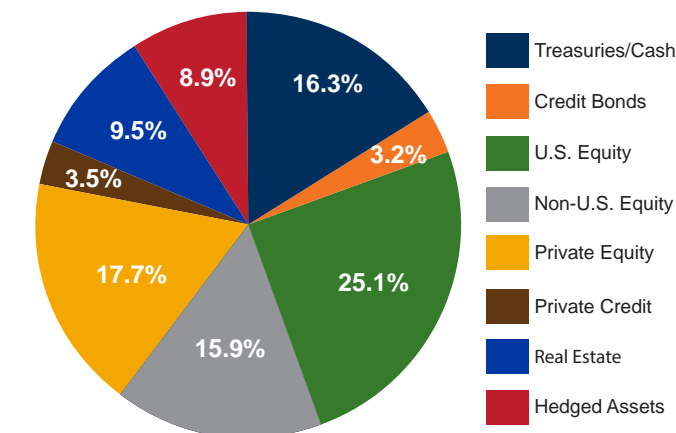
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Investing in an Inflationary Environment

The fiscal year reporting period for PSRS/PEERS ends each June 30th. Through March 31, 2022, the Systems had completed three-fourths of fiscal year 2022 with solid investment returns despite a challenging market environment. The volatility in the markets has been caused by a myriad of issues including rising inflation, increasing interest rates, the Russian invasion of Ukraine and a COVID infection spike in China. The estimated PSRS/PEERS investment return for fiscal year 2022 (July 1, 2021 thru March 31, 2022) was approximately 4.1%.

PSRS/PEERS' Investment Philosophy

The Systems maintain an investment belief that the best long-term risk-adjusted returns can be achieved by investing in the broadest opportunity set possible. As the pie chart below indicates, the PSRS/PEERS portfolio is diversified across multiple asset classes in both public and private investments throughout the world. Over time, each asset class within the Systems' investment portfolio performs a valuable function. An inflationary environment poses unique issues in managing an investment portfolio as many traditional assets can be negatively affected by the rising costs of goods and services.



Inflation and Rising Interest Rates

U.S. inflation recently surged to a four-decade high of 8.5%, driven by growing food prices, strong consumer demand and energy costs that are rising sharply. The cost of gasoline has increased 48% from the level seen a year ago while hotel costs and airline fares are both up over 23% from the previous year.

With job growth robust and inflation well above the Federal Reserve's target of 2%, expectations are that the Federal Reserve will significantly increase interest rates over the next year in an attempt to curb inflation. On March 16, 2022, the Federal Reserve made the first such move in more than three years, raising the federal funds rate (increasing interest rates) by 0.25%. Investment markets are pricing in an additional seven to nine Federal Reserve interest rate hikes for the balance of 2022.

Financial markets are forward looking, and the bond market has already priced in much higher interest rates, mostly reflected in shorter maturities. In the first quarter of 2022, the yield on the 2- and 10-year U.S. Treasury Notes rose by 1.60% and 0.83%, respectively. The Federal Reserve, through the federal funds rate, has its greatest impact on short-term interest rates. Long-term rates, on the other hand, generally reflect longer-term inflation and growth expectations. While the Federal Reserve has pushed short rates significantly higher, long-term rates have moved much less. Thus the U.S. Treasury yield curve, a plot of yields of various Treasury securities with different maturity dates, has flattened. A flat yield curve indicates that investors expect longer term inflation and growth to moderate.

PSRS/PEERS Investment Returns by Asset Class

The PSRS/PEERS asset allocation is balanced with a significant distribution to return-seeking assets such as stocks and private equity but also a meaningful allocation to inflation sensitive assets such as real

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estate. The following chart indicates the investment returns for the major asset classes in the PSRS/PEERS portfolio for the current fiscal year (July 1, 2021 thru March 31, 2022). Additionally, the chart provides annual investment returns for the 10-year period ended March 31, 2022.

PSRS/PEERS Investment Returns by Asset Class		
Asset Class	Fiscal Year-To-Date	10-Year Annualized
Treasuries and Cash	-4.5%	1.5%
U.S. Stocks	1.7%	13.6%
Hedged Assets	2.9%	6.2%
Private Equity	18.6%	20.1%
Real Estate	19.4%	11.3%
International Stocks	-3.4%	8.3%
Corporate Bonds	-5.1%	3.1%
Private Credit	7.4%	9.0%

The Systems have developed a risk model/framework to manage numerous exposures. However, in most timeframes, certain segments of the portfolio will underperform while other segments outperform. The two most notable asset classes in fiscal year 2022 may be bonds (U.S. Treasuries and corporate debt) and real estate. Interest rates and bond prices are inversely correlated (as rates rise, bond prices fall). Thus, bonds in the PSRS/PEERS investment portfolio have realized negative returns this year as depicted in the previous chart.

Investments in real estate typically provide an inflationary hedge and that is evident in the current fiscal year as the Systems' real estate portfolio returned 19.8%. Commercial real estate construction has been impacted by supply chain disruption and significant price increases in lumber, copper, and steel. This has effectively pushed existing real estate prices higher due to limited supply in a market experiencing elevated demand. Most importantly, several sectors of the real estate market, including industrial, apartment and life sciences are seeing substantial rent growth. The PSRS/PEERS real estate portfolio has exposure in all three sectors which has supported investment returns this year.

Summary

Investing on a global basis provides PSRS/PEERS with opportunities but also exposes the Systems to risks. These risks are generally higher in an inflationary environment. Although stocks have experienced low (or negative) returns in the fiscal year, they have held up fairly well given the Federal Reserve's stated intent to significantly raise interest rates. Similarly, while bond performance has suffered this year, high quality bonds will continue to offer much-needed diversification and liquidity in the context of the PSRS/PEERS investment portfolio longer term. A steady investment philosophy and a diversified portfolio will allow the Systems to produce consistent investment returns (regardless of the market environment) over long-periods of time to support the benefits of the PSRS/PEERS membership. The Systems' long-term investment objective (actuarial assumption)¹ is 7.3% per year. We will not achieve that return goal every year but expect to meet or exceed that return over long periods of time. For example, the total plan return of 9.7% over the last 10 years exceeds both the historical long-term investment objective (actuarial assumption) and the total plan policy benchmark return² of 8.2%.

The market value of invested assets for PSRS and PEERS combined was approximately \$57.7 billion on March 31, 2022, making the joint entity larger than all other public retirement plans in Missouri combined, and the 46th largest defined benefit plan in the United States. For the most recent PSRS/PEERS investment news, visit us on the web at www.psrs-peers.org.

¹ The Board of Trustees long-term investment return objective was reduced to 7.3% effective July 1, 2021.

² The plan policy benchmark is a standard to measure investment performance and indicates the return of the PSRS/PEERS asset allocation if passive market rates of return were achieved.



Legislative Session Includes Bills of Interest

Since the General Assembly began the 2022 Legislative Session on January 5, 2022, over 2,200 bills have been introduced. PSRS/PEERS is closely monitoring over 450 bills. The 2022 Legislative Session ends on May 13, 2022.

In order for a bill to become law, it must be passed by the Missouri House and Senate, after which it goes to the governor for his signature. The governor has until July 14 to sign or veto legislation.

Legislation currently being tracked that has a direct impact on the Systems includes:

- **House Bill 2304** and **House Bill 1750** would waive working after retirement limits on post-retirement part-time or temporary-substitute work as a substitute teacher through June 30, 2025. This language is also included on **House Bill 1753** and **House Bill 1998**. In addition, **House Bill 2304** contains provisions that would increase the limit on Critical Shortage Employment from two to four years and would change the post-retirement salary limit for PSRS members working in non-certificated positions to the Social Security earnings limit.
- **House Bill 2161**, **House Bill 2430** and **House Bill 2799** would provide a 2.55% benefit factor for PSRS retirees who retire with 32 or more years of service. Currently, the benefit factor is 2.5%. The higher benefit factor would result in higher benefit amounts for retirees who qualify. None of these bills currently contain an emergency clause, so if passed and signed into law they would become effective August 28, 2022.
- **House Bill 1881**, **House Bill 2114**, **House Bill 2089** and **Senate Bill 999** would increase the limit on Critical Shortage Employment from two to four years. **House Bill 2114** also

changes the post-retirement salary limit for PSRS members working in non-certificated positions to the Social Security earnings limit. **Senate Bill 999** and **House Bill 2089** also allow Critical Shortage Employment in the position of superintendent in certain situations.

- **House Bill 2799** would waive working after retirement limits on post-retirement part-time or temporary substitute work through June 30, 2025. This bill also includes the 2.55% benefit factor for PSRS retirees who retire with 32 or more years of service and would increase the limit on Critical Shortage Employment from two to four years.
- **Senate Bill 712** would allow a retiree who nominated a same-sex domestic partner as beneficiary prior to September 2015 to have their monthly retirement benefit "pop-up" to the amount he or she would have received if he or she had not elected to receive reduced monthly benefits in certain circumstances.

As of the publication date of this newsletter, none of these bills have passed out of both chambers as required in order to become law.

To view a summary and the current status of all the bills we are tracking this session, view our online Legislative Tracker at <https://www.psrs-peers.org/About-Us/Legislative-Affairs/bill-tracker>.

The status of these bills can change daily. If significant or impactful changes occur, we will post information as news on our website or send an email. If you are not signed up to receive news from us by email, please log in to Web Member Services at www.psrs-peers.org.

PSRS/PEERS Welcomes Michael Moorefield as Director of Legislation and Policy



Michael Moorefield, of Columbia, MO, joined PSRS/PEERS on April 18, 2022 as the Systems' Director of Legislation and Policy. He replaces Maria Walden, who left PSRS/PEERS in January to take the position of

Missouri Retired Teachers Association (MRTA) Executive Director.

For the past seven years, Moorefield has served as the chief of staff and counsel for the Office of the Missouri State Auditor. Prior to joining the State

Auditor's office, he served as deputy chief of staff at the Office of the Missouri State Treasurer and began his career at the Polsinelli law firm.

"We are fortunate to have Mike on the PSRS/PEERS executive management team," said Executive Director Dearth Snider. "We are excited to have someone with his experience and professional background working to help ensure the needs of our membership are heard and understood by our lawmakers."

Moorefield has a bachelor's degree in journalism in addition to a Juris Doctorate and Master of Business Administration from the University of Missouri-Columbia.

Board of Trustees News

Board Sets Interest Rates on Contributions; Reinstatements and Service Purchases

Interest on Contributions

At the April meeting of the PSRS/PEERS Board of Trustees, the Board voted to increase the interest rate active members earn on their contributions from 1% to 2% for the 2022-2023 school year.

Interest is credited June 30 each year on the total contributions and interest in a membership, as of the previous June 30. This occurs until the membership is closed. Memberships are closed due to retirement, a refund of a member's contributions and interest, the death of the member, or when the member is not vested and is out of PSRS-covered employment for five consecutive school years.

The interest rate has no impact on the amount of your retirement benefits. Interest is paid out through lump-sum payments made to members who request refunds of their contributions and the interest earned on those contributions, and to the beneficiaries of deceased members.

Interest on Reinstatements and Service Purchases

In accordance with PSRS/PEERS regulations, the Board voted to maintain the interest rate charged on the reinstatement of previously forfeited service and applicable service purchases at 7.3%. This is the Systems' assumed, or target rate of return on investments.

Steliga Retains Seat on PSRS/PEERS Board of Trustees; Gassmann Joins as Newest Trustee

Incumbent Board member Jason Steliga, whose current term on the Board ends June 30, 2022, and Allie Gassmann of Columbia, MO, will begin four-year terms as trustees starting July 1, 2022 and serve through June 30, 2026. Both completed the required filing qualifications to be candidates for Board seats. With two open seats and two qualified candidates, no election was required.

Individuals interested in running for these seats were asked to obtain petition forms from PSRS/PEERS and return them by February 24, along with 200 or more member signatures from each of any four Missouri congressional districts, plus sufficient additional signatures to total at least 1,000 signatures. All active and retired members of PSRS and PEERS are eligible to sign petitions and vote for candidates.



Jason Steliga



Allie Gassmann

An auditing committee comprised of representatives of various Missouri educational associations examined the

petitions March 10 and certified to the Board that the candidates were qualified.

Steliga, an elected PSRS member, joined the Board October 21, 2015. He has 18 years of teaching experience, and is presently teaching at Park Hill South High School, located in Riverside, MO.

Gassmann is a parent educator for the Columbia Public Schools' Parents as Teachers (PAT) program. She served as chair of the Columbia Missouri National Education Association (MNEA) PAT bargaining team and is currently a Columbia MNEA building representative. She will serve as an elected PEERS member of the Board.

"We are happy to welcome our newest trustee, Allie, and also pleased to continue our work with Jason, an experienced member of our Board. Both bring unique and valuable experience and insight to the group. We value their willingness to serve as trustees and know they will be dedicated to working on behalf of our members."

PSRS/PEERS Executive Director Dearth Snider

Steliga and Knes Retain Board Leadership Roles for 2022-2023 School Year

At the April PSRS/PEERS Board of Trustees meeting, the Board re-elected Jason Steliga to serve as chair and Beth Knes to serve as vice chair for the 2022-2023 school year (July 1, 2022 to June 30, 2023).

Steliga, an elected PSRS member, joined the Board October 21, 2015. He has 18 years of teaching experience, and is presently teaching at Park Hill South High School, located in Riverside, MO.

Beth Knes is a governor-appointed trustee who joined the Board on August 22, 2017. She retired from

public education in 2014. Most recently, she served as executive director of student services for the Rockwood School District.



Beth Knes

"Jason and Beth are valuable members of our Board," said PSRS/PEERS Executive Director Dearth Snider. "As our chair and vice chair, they have always had the best interests of our members in mind. We are pleased to continue to work with them in their leadership roles."



Attend a Retirement Ready Summer Seminar

If you are within five years of retirement and would like pre-retirement counseling, we recommend that you first attend a Retirement Ready Seminar. Retirement Ready Seminars are designed to be of most benefit to members who are within five years of retirement, but all members are welcome to join us for an in-depth review that will help you prepare to retire.

Our seminars are conducted by knowledgeable benefits professionals, who discuss retirement eligibility, benefit plan options, income tax considerations and much more. Attendees receive personalized **Benefit Estimates**, and a workbook to help with planning.

Retirement Ready Seminars are held at various locations around the state, at our Jefferson City office and virtually, for your convenience. Check the schedule below for a meeting near you or attend a convenient virtual seminar from the comfort of home.

Registration is required and is easy to complete, but please register early! Seating for each seminar is limited, and we cannot accept late registrations. To register, you need an idea of your desired retirement date, along with your beneficiary's name and birth date. If you need assistance, we can help.

Register by logging in to Web Member Services at www.psr-peers.org or by calling us at (800) 392-6848.

Date	Location	Address	Time	Closing Date to Register
June 2, 2022	Lodge of Des Peres	1050 Des Peres Rd, Des Peres	10 a.m.	May 18, 2022
June 7, 2022	Virtual Retirement Ready	www.psr-peers.org	10 a.m.	May 23, 2022
June 9, 2022	Ozarks Technical Community College	815 N Sherman Ave, Springfield	10 a.m.	May 25, 2022
June 15, 2022	Rolla Board Office	500 A Forum Drive, Rolla	10 a.m.	May 31, 2022
June 23, 2022	PSRS Office - Jefferson City	3210 W Truman Blvd, Jefferson City	10 a.m.	June 8, 2022
June 29, 2022	Virtual Retirement Ready	www.psr-peers.org	1 p.m.	June 14, 2022
July 6, 2022	St. Louis Community College - Florissant Valley	3400 Pershall Rd, St. Louis	10 a.m. and 1 p.m.	June 21, 2022
July 7, 2022	Cape Girardeau Career & Technology Center	1080 S Silver Springs Rd, Cape Girardeau	10a.m.	June 22, 2022
July 12, 2022	Raymore-Peculiar Administrative Service Center	21005 S School Road, Peculiar	10 a.m.	June 27, 2022
July 14, 2022	Joplin Memorial Education Center	825 S Pearl Ave, Joplin	1 p.m.	June 28, 2022
July 20, 2022	West Plains High School	602 E Olden Street, West Plains	10 a.m.	July 5, 2022
July 21, 2022	Virtual Retirement Ready	www.psr-peers.org	1 p.m.	July 6, 2022
July 26, 2022	Stoney Creek Inn – St. Joseph	1201 N Woodbine Rd, St. Joseph	10 a.m.	July 11, 2022
August 2, 2022	Blue Springs South High School	1200 SE Adams Dairy Pkwy, Blue Springs	1 p.m.	July 18, 2022
August 4, 2022	Macon High School	702 N Missouri St, Macon	10 a.m.	July 20, 2022
August 9, 2022	Virtual Retirement Ready	www.psr-peers.org	1 p.m.	July 25, 2022
August 11, 2022	Francis Howell Middle School	825 O'Fallon Rd, Weldon Springs	10 a.m.	July 27, 2022
August 17, 2022	Virtual Retirement Ready	www.psr-peers.org	10 a.m.	August 2, 2022

Online Education

In addition to seminars, a variety of retirement-related information is available to you by attending a webinar. Visit our website for a complete list of upcoming webinar topics and to register.



Featured Topic Webinars

Members at all career stages can benefit from attending our Featured Topic Webinars. Topics are based on the questions we get most and include purchasing service, filing for retirement and understanding your **Benefit Estimate**.



Real Talk Webinars

For members who are short on time, Real Talk Webinars are a great option. Real Talk Webinars are 15- to 20-minute mini-webinars that focus on “hot” topics.



RetireSmart Education Essentials Professional Development Day Presentations

We are happy to provide free retirement presentations for in-service or professional development days at your school. These programs are done by request, and can be tailored to meet the needs of early, mid-career or pre-retirement-stage members.

School officials and organizational leaders can request professional development day presentations by calling (800) 392-6848 or emailing Member_Education@psrsmo.org.

PSRS is Always Your Best Source of Information about PSRS Benefits

It's the time of year when many of our members and employers receive emails offering help with retirement planning. We seem to see similar emails circulate every year from individuals and private organizations wanting to sell financial services to members and offering counseling with regard to PSRS retirement benefits.

Sometimes these emails can appear to come from PSRS. In reality, they are from third-parties that market retirement and life insurance instruments to public employees.

Please review any such emails carefully, as some may even be possible phishing attempts. It is recommended that you only open emails or click on links in emails that come from trusted sources.

All emails from PSRS are sent from a psr-peers.org or psrsmo.org email address and are never sent from a personal email account.

PSRS' qualified staff will never charge for services and are fully trained to answer all your questions about your PSRS membership and benefits.

While the services of a financial planner can be beneficial, we highly recommend that any questions or concerns about your PSRS benefits be directed to one of our experts. You can reach our Information Center by phone at (800) 392-6848 and by email at psrspeers@psrspeers.org.



Retiring July 1? Make Sure Your Application is Complete by June 30

If you plan to retire July 1, 2022, you must apply for retirement online using Web Member Services or submit your paper **Service Retirement Application** and other required forms and documents by June 30, 2022.

We recommend filing well in advance so we have time to review your application and make sure we have all the required supporting documentation to process your request accurately and on time for your requested retirement date.

To apply, you will need your beneficiaries' dates of birth, Social Security numbers and addresses. You will also need your bank information handy.

We will acknowledge receipt of your retirement application, whether you do it online or on paper forms. Please call us if you do not receive acknowledgement within two weeks, or prior to your retirement date.



Apply for Retirement Online

Filing for PSRS service retirement has never been more convenient. Skip the paper and file for retirement online using Web Member Services at **www.psrs-peers.org**. After you log in, you will find the link to apply for service retirement on your Web Member Services home page, under the "My Membership" tab.

Proper Termination of Employment



In addition to completing your application, proper termination of your pre-retirement employment is required to be eligible for service retirement. You can retire July 1 as long as you properly terminate all covered employment by June 30, even if you receive paychecks through August.

To properly terminate employment:

- You must end all employment with all PSRS-covered employers prior to your retirement date.
- You cannot return to work for a covered employer in any capacity for a period of one month after your PSRS retirement date. This includes volunteer work if you later become a paid employee with the same employer in the same, or a similar position.
- You cannot enter into any agreement, written or unwritten, for future employment at a covered employer in any capacity until after receiving your first retirement benefit payment. This includes any type of early retirement incentive or separation agreement that requires you to return to work or volunteer in any capacity after retirement in return for salary, including health insurance benefits.

Service Purchase Deadlines Approaching for USERRA, Unpaid Sick Leave and Workers' Compensation Leave

Missing work while on military leave, unpaid sick leave or workers' compensation leave means you will not have a full year of service with PSRS for the affected school year(s). However, you may be eligible to purchase service for the time. Keep in mind, these types of service purchases have specific deadlines.

USERRA-Covered Military Leave

Members who have been on military leave covered by the federal Uniformed Services Employment and Reemployment Rights Act (USERRA) can purchase the service. To qualify, you must return to employment with the same employer after your military leave ends.

Your USERRA-covered service counts toward vesting your PSRS membership and retirement eligibility, regardless of whether you purchase your service. If you purchase the service, it is also included in the total service used to calculate your retirement benefit.



Purchase Application Deadline:

You must apply within five years of re-employment following the period of leave.



Cost to Purchase

Your cost is based on the salary that you would have been paid and the contribution rate in effect during your leave. You pay the employee portion and your employer pays the employer portion.

Unpaid Sick Leave and Workers' Compensation Leave

You can also purchase service that you lost because you were out on unpaid sick leave or workers' compensation leave. Unpaid sick leave can include time you were on maternity or paternity leave.



Purchase Payment Deadline

You must complete payment within the two school years following the leave. That means if your leave occurred during the 2019-2020 school year, your deadline to complete the purchase is June 30, 2022.



Cost to Purchase

Your cost is the contributions you would have made to PSRS during the full period of the leave if you had been working. Contact your employer to determine if your leave is eligible and to arrange your payment.

Sign Up for E-Newsletters



You can receive important information about your Retirement System by email, rather than on paper. It's an easy way to help us save natural resources and money while you stay informed. If you still get your newsletters by mail, log in to Web Member Services at **www.psrs-peers.org**. In the My Profile menu in the top right corner, select "Change Communications Preferences" to switch to email.



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View and Update Your Beneficiary Designations Online

Take Advantage of the Financial Protection PSRS Provides for Your Loved Ones



In addition to the emotional stress caused by the loss of a loved one, it can also put significant stress on a family's finances, particularly when this occurs during the working years. To help ease this burden, PSRS offers valuable financial protection for your family if you die before retirement.

The benefits payable depend on your beneficiary designation, your employment status and years of service with PSRS.

Always keep your beneficiary designations with PSRS up-to-date to ensure benefits payable to your survivors are distributed according to your wishes.

You can update your beneficiary designations at any time by logging in to Web Member Services at **www.psr-peers.org** or by using the PSRS ***Pre-Retirement Beneficiary Designation*** form found at **www.psr-peers.org** or available by contacting our office.